

SUBSTANCE ABUSE SERVICES CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
AND  
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER  
JUNE 30, 2007 AND 2006

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Dykstra	President	May 2008
Clifford Bunting	Vice-President	May 2008
C. Howard Wallace	Secretary	May 2008
Dan Avenarius	Treasurer	May 2008
Leo Hickie III	Member	May 2010
Dorothy Schlueter	Member	May 2008
Jerome Thomas	Member	May 2008
Sheila Freiburger	Member	May 2008
Jack Young	Member	May 2008
Lou Fuller	Member	May 2009
Peggy Petlon	Member	May 2010
Diane Thomas	Executive Director	Indefinite

## Independent Auditors' Report

To the Board of Directors  
Substance Abuse Services Center

We have audited the accompanying statements of financial position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Substance Abuse Services Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2007, on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
October 2, 2007

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash	\$ 349,100	\$ 478,369
Certificates of Deposit	193,576	-0-
Accounts receivable, less allowance for doubtful accounts - 2007 \$11,238 and 2006 \$15,753	28,501	31,262
Prepaid expenses	13,628	10,865
Grants receivable	34,150	24,776
Total Current Assets	<u>\$ 618,955</u>	<u>\$ 545,272</u>
Property and Equipment:		
Leasehold improvements	\$ 53,336	\$ 53,336
Office furniture and equipment	172,980	200,011
Accumulated depreciation and amortization	(174,177)	(174,553)
Net Property and Equipment	<u>\$ 52,139</u>	<u>\$ 78,794</u>
Total Assets	<u><u>\$ 671,094</u></u>	<u><u>\$ 624,066</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 21,614	\$ 25,289
Accrued salaries	6,137	8,230
Compensated absences	27,409	26,737
Accrued expenses	10,899	698
Total Current Liabilities	<u>\$ 66,059</u>	<u>\$ 60,954</u>
Net Assets:		
Net Assets - Undesignated	\$ 565,593	\$ 523,670
Net Assets - Board Designated for Suta Claims	39,442	39,442
Total Net Assets	<u>\$ 605,035</u>	<u>\$ 563,112</u>
Total Liabilities and Net Assets	<u><u>\$ 671,094</u></u>	<u><u>\$ 624,066</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
<u>Public Support:</u>		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 465,718	\$ 440,525
Managed Care-Federal Funds	250,772	264,315
United Way	18,500	49,025
Cities	13,695	14,137
Schools	26,955	28,393
Gambling Grant	198,276	222,801
OWI III Contract	21,673	21,042
Dubuque Jail Diversion	-0-	4,368
Dubuque Racing Association Grant	11,517	7,650
DSA - Tobacco	-0-	15,859
ICADV	7,310	-0-
U.S. Probation Office - Probation Service	10,330	4,014
Federal Bureau of Prisons	12,218	5,446
Other Public Support	7,500	11,024
Total Public Support	<u>\$ 1,044,464</u>	<u>\$ 1,088,599</u>
<u>Revenue:</u>		
Client Fees	\$ 234,697	\$ 248,446
Third Party Pay	179,321	204,859
Vending Revenue	192	1,174
Interest on Investments	13,002	7,539
Miscellaneous	10,600	10,427
Total Revenue	<u>\$ 437,812</u>	<u>\$ 472,445</u>
Total Public Support and Revenue	<u>\$ 1,482,276</u>	<u>\$ 1,561,044</u>
<u>EXPENSES</u>		
Program Services	\$ 1,194,803	\$ 1,296,474
Support Services	245,550	217,499
Total Expenses	<u>\$ 1,440,353</u>	<u>\$ 1,513,973</u>
Change in Net Assets	\$ 41,923	\$ 47,071
Net Assets Beginning of Year	563,112	516,041
Net Assets End of Year	<u>\$ 605,035</u>	<u>\$ 563,112</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention	Halfway House			
Salaries	\$ 575,408	\$ 113,404	\$ 31,247	\$ 28,858	\$ 748,917	\$ 112,180	\$ 861,097
Benefits & taxes	146,830	27,025	6,115	5,058	185,028	19,744	204,772
Total Salaries & Related Expenses	\$ 722,238	\$ 140,429	\$ 37,362	\$ 33,916	\$ 933,945	\$ 131,924	\$ 1,065,869
Rent	61,793	11,026	1,412	10,889	85,120	4,969	90,089
Supplies & printing	43,516	3,572	690	730	48,508	6,848	55,356
Insurance	5,122	975	188	622	6,907	523	7,430
Postage	2,127	359	58	19	2,563	166	2,729
Dues & subscriptions	819	200	-0-	41	1,060	3,233	4,293
Business travel	2,718	14,587	4,070	569	21,944	8,753	30,697
Conferences & travel	5,851	5,579	462	64	11,956	2,945	14,901
Contract services	14,034	16	-0-	697	14,747	27,803	42,550
Telephone	11,166	2,739	255	805	14,965	4,866	19,831
Advertising	1,046	183	12	97	1,338	82	1,420
Small equipment & repair	5,944	758	242	1,028	7,972	3,438	11,410
Bad debts	3,962	-0-	-0-	1,899	5,861	-0-	5,861
Groceries	-0-	-0-	-0-	5,416	5,416	-0-	5,416
Utilities	2,233	379	47	3,313	5,972	176	6,148
Loss on sale of property & equipment	-0-	-0-	-0-	-0-	-0-	3,827	3,827
Depreciation	-0-	-0-	-0-	-0-	-0-	31,708	31,708
Suta allowance	1,041	-0-	-0-	11,951	12,992	-0-	12,992
Miscellaneous	12,307	840	167	223	13,537	14,289	27,826
Total Expenses	<u>\$ 895,917</u>	<u>\$ 181,642</u>	<u>\$ 44,965</u>	<u>\$ 72,279</u>	<u>\$ 1,194,803</u>	<u>\$ 245,550</u>	<u>\$ 1,440,353</u>

See accompanying notes to financial statements.



SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention	Halfway House			
Salaries	\$ 548,214	\$ 134,226	\$ 52,465	\$ 93,946	\$ 828,851	\$ 111,302	\$ 940,153
Benefits & taxes	138,104	31,624	14,613	16,832	201,173	20,088	221,261
Total Salaries & Related Expenses	\$ 686,318	\$ 165,850	\$ 67,078	\$ 110,778	\$ 1,030,024	\$ 131,390	\$ 1,161,414
Rent	53,712	11,100	2,149	20,400	87,361	4,655	92,016
Supplies & printing	36,953	3,107	1,205	2,805	44,070	7,004	51,074
Insurance	6,049	1,304	279	1,116	8,748	559	9,307
Postage	3,078	560	100	5	3,743	240	3,983
Dues & subscriptions	233	-0-	-0-	234	467	3,281	3,748
Business travel	1,532	12,372	5,206	619	19,729	6,509	26,238
Conferences & travel	5,211	2,917	188	133	8,449	804	9,253
Contract services	14,549	8	-0-	1,798	16,355	19,661	36,016
Telephone	11,267	3,130	391	2,061	16,849	3,468	20,317
Advertising	745	149	22	87	1,003	64	1,067
Small equipment & repair	10,394	659	91	2,413	13,557	2,140	15,697
Bad debts	1,909	-0-	-0-	878	2,787	-0-	2,787
Groceries	-0-	-0-	-0-	16,168	16,168	-0-	16,168
Utilities	2,028	366	65	13,558	16,017	157	16,174
Loss on sale of property & equipment	-0-	-0-	-0-	-0-	-0-	1,175	1,175
Depreciation	-0-	-0-	-0-	-0-	-0-	28,727	28,727
Miscellaneous	9,422	756	384	585	11,147	7,665	18,812
Total Expenses	<u>\$ 843,400</u>	<u>\$ 202,278</u>	<u>\$ 77,158</u>	<u>\$ 173,638</u>	<u>\$ 1,296,474</u>	<u>\$ 217,499</u>	<u>\$ 1,513,973</u>

See accompanying notes to financial statements.

# SUBSTANCE ABUSE SERVICES CENTER

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 410,917	\$ 440,914
Cash received from grants	1,035,090	1,094,338
Cash received from others	10,792	11,601
Interest received	9,426	7,539
Cash paid to employees and suppliers	<u>(1,396,614)</u>	<u>(1,476,711)</u>
Net Cash Provided By Operating Activities	\$ 69,611	\$ 77,681
Cash Flows From Investing Activities:		
Purchases of Certificates of Deposit	\$ (190,000)	\$ -0-
Purchases of property and equipment	<u>(8,880)</u>	<u>(44,168)</u>
Net Cash Used From Investing Activities	\$ (198,880)	\$ (44,168)
Net Increase (Decrease) in Cash and Equivalents	\$ (129,269)	\$ 33,513
Cash and Equivalents at Beginning of Year	<u>478,369</u>	<u>444,856</u>
Cash and Equivalents at End of Year	<u><u>\$ 349,100</u></u>	<u><u>\$ 478,369</u></u>

### Reconciliation of Changes in Net Assets to Net Cash from Operating Activities

Changes in Net Assets	\$ 41,923	\$ 47,071
Adjustments:		
Depreciation	\$ 31,708	\$ 28,727
Loss on disposal of equipment	3,827	1,175
Non cash adjustment	(3,576)	-0-
Changes in Assets and Liabilities:		
(Increase)decrease in patient accounts receivable	2,761	(9,604)
Increase in prepaid expenses	(2,763)	(243)
(Increase) Decrease in grants receivable	(9,374)	5,739
Increase (Decrease) in accounts payable	(3,675)	11,131
Increase (Decrease) in accrued salaries	(2,093)	256
Increase (Decrease) in accrued expenses	<u>10,873</u>	<u>(6,571)</u>
	\$ 27,688	\$ 30,610
Net cash Provided By Operating Activities	<u><u>\$ 69,611</u></u>	<u><u>\$ 77,681</u></u>

Non Cash Investing and Financing Activities:  
Interest earned added directly to  
Certificates of Deposit

\$ 3,576	\$ -0-
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See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide comprehensive prevention and treatment services for individuals and families experiencing problems related to alcohol and other drugs, compulsive gambling, and other addictive behaviors, and to provide affordable quality care that prepares individuals to make no risk or low risk choices in their lives.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2007 and 2006.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-12 years.

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2007 and 2006 was \$1,420 and \$1,067 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006 (CONTINUED)

### (2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Leasehold Improvements	\$ 53,336	\$ -0-	\$ -0-	\$ 53,336
Office Equipment	191,246	10,264	28,970	172,540
Education Equipment	440	-0-	-0-	440
Halfway House Equipment	<u>8,325</u>	<u>-0-</u>	<u>8,325</u>	<u>-0-</u>
Total	<u>\$ 253,347</u>	<u>\$ 10,264</u>	<u>\$ 37,295</u>	<u>\$ 226,316</u>

Depreciation expense for the years ended June 30, 2007 and 2006 was \$31,708 and \$28,727 respectively.

### (3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$10,840 and \$8,689 relating to the matching of employee contributions for the years ended June 30, 2007 and 2006 respectively.

### (4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2003 and ending on June 30, 2008. The monthly lease payment is \$4,891.

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Manchester, Iowa for the rental of office space in Manchester. The lease is for five years commencing on November 15, 2004 and ending November 14, 2009 with a monthly lease payment of \$1,077. The lease has a five-year option to renew with rent increases based on the Consumer Price Index. Subsequently, a new lease was negotiated for five years commencing September 1, 2006 and ending August 31, 2011 with a monthly lease payment of \$1,770. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
(CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has also entered into a lease agreement with The Center for Public Ministries, Inc., Dubuque, Iowa for the rental of a Half-way House. The lease is for one year commencing July 1, 2005 and ending on June 30, 2006 with a monthly lease payment of \$1,700. The lease was revised to \$1,850 a month effective October 1, 2006 and ending June 30, 2007. This lease was terminated effective January 2007.

Rental expense for the years ended June 30, 2007 and 2006 was \$ 90,099 and \$92,016 respectively.

A summary of minimum operating lease payments are as follows:

Year Ending June 30,	Manchester	Dubuque	Total
2008	\$ 19,854	\$ 58,689	\$ 78,543
2009	21,240	-0-	21,240
2010	21,240	-0-	21,240
2011	21,240	-0-	21,240
2012	3,540	-0-	3,540
	<u>\$ 87,114</u>	<u>\$ 58,689</u>	<u>\$145,803</u>

(5) Grants Receivable

Grants Receivable at June 30, 2007 and 2006 are composed of the following:

	2007	2006
Federal Bureau of Prisons	\$ 1,559	\$ 1,253
Iowa Department of Correctional Services	1,401	1,514
United States Probation Office	964	276
ICDAV	826	-0-
Iowa Department of Public Health - Division of Tobacco Use	-0-	1,051
Iowa Department of Public Health - Gambling Treatment	<u>29,400</u>	<u>20,682</u>
	<u>\$ 34,150</u>	<u>\$ 24,776</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2007 and 2006 include the following:

SUTA Claims Account	<u>\$ 39,442</u>	<u>\$ 39,442</u>
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SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
(CONTINUED)

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(8) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 48.8% and 46.5% of total revenue for the years ended June 30, 2007 and 2006 respectively.



SUBSTANCE ABUSE SERVICES CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
Administrative Office of the United States Courts:			
Federal Bureau of Prisons	05-4107	----	\$ 12,218
United States Probation Office			
Probation Services Contract	0862-05-33	----	<u>10,330</u>
Total Direct			<u>\$ 22,548</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93.959	\$ 250,772
ICADV			7,310
United States Department of Education:			
Safe and Drug Free Schools and Communities		84.186	<u>26,955</u>
Total Indirect			<u>\$ 285,037</u>
Total			<u><u>\$ 307,585</u></u>

Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors  
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of Substance Abuse Services Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Substance Abuse Services Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
October 2, 2007

## NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Jim Kircher & Associates, P.C., today, released an audit report on Substance Abuse Services Center, Dubuque, Iowa.

Jim Kircher & Associates, P.C. reported that the Center had public support and revenues of \$1,482,276 for the year ended June 30, 2007, which was a 5.0% decrease from the prior year. Expenses for the Center's operations totaled \$1,440,353, a 4.9% decrease from the prior year. Expenses included \$1,194,803 for program services and \$245,550 for support services; \$8,880 was also expended for property and equipment.

A copy of the audit report is available for review in the office of Auditor of State, on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm> and at the Substance Abuse Services Center.